

Docket	:	<u>A.12-02-014</u>
Exhibit Number	:	<u>DRA-3</u>
Commissioner	:	<u>Florio</u>
ALJ	:	<u>Long</u>
Witness	:	<u>Kanter</u>



**DIVISION OF RATEPAYER ADVOCATES  
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations  
for  
California Pacific Electric Company  
General Rate Case  
Test Year 2013**

**Sales, Customers, Revenues, and Depreciation**

San Francisco, California  
July 27, 2012

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1                   **CALIFORNIA PACIFIC ELECTRIC COMPANY**  
2                   **SALES, CUSTOMERS, REVENUES AND DEPRECIATION**

3   **I.       INTRODUCTION / OVERVIEW**

4           This Division of Ratepayer Advocates (DRA) Report presents our analyses  
5 and recommendations regarding Sales, Customers, Revenues, and Depreciation for  
6 Test Year (TY) 2013 in the California Pacific Electric Company's (CalPeco) General  
7 Rate Case, Application (A.)12-02-014.

8   **II.     SUMMARY OF RECOMMENDATIONS**

9           DRA analyzed CalPeco's methodology for extrapolating sales, revenues,  
10 customers, and depreciation expenses for TY 2013. A comparison of DRA's and  
11 CalPeco's Test Year estimates for sales, customers and revenues is presented in  
12 Table 3-1 below. The entries in this table for sales, customers, and revenues  
13 correspond to the entries in CalPeco's Table 6-1 (General Rate Case, Phase 1,  
14 Volume 2 of 3, Exhibit 2, Results of Operations, p. 189 of 242).

15                                   **Table 3-1**  
16                   **Forecasted 12 Months California Electric Sales, Customers and Revenues**  
17

Description	DRA Recommended	CalPeco Proposed	CalPeco>DRA	Percentage
ELECTRIC SALES (KWH)	564,909,525	564,909,525	0	0%
SUM OF MONTHLY RESIDENTIAL ACCOUNTS	466,387	503,988	37,601	7%
OPERATING REVENUES AT PRESENT RATES	\$72,523,418	\$72,493,515	(\$29,902)	0.0%

### 1     **III.     DRA’S ANALYSIS**

#### 2           **A. Sales, Customers, and Revenues**

3           CalPeco generated customer forecasts by estimating a simple trend model for  
4 the historical period 2005 to 2010. The Company estimated energy use per  
5 customer forecasts by a regression model involving trend, month of the year, and  
6 monthly weather conditions; and produced weather normalized estimates. It  
7 estimated sales by multiplying the energy use per customer forecasts by number of  
8 customers. This was done for the residential, commercial, and industrial classes.

9           DRA examined CalPeco’s analysis and found that for the non-CARE  
10 residential customers, all monthly customer counts prior to 2011 were arbitrarily set  
11 equal to 38,104 rather than using historical data. This arbitrarily increased the Test  
12 Year customer estimates. Table 3-1 reflects DRA’s adjustment for this arbitrary  
13 procedure, as well as an adjustment to CalPeco’s trend model for better fit.

14           CalPeco’s number of 503,988 in Table 3-1 for the Test Year sum of monthly  
15 customer accounts is very close to 503,712. The number 503,712 is 457,248 (12  
16 times 38,104) plus 46,464 (the corresponding number for residential CARE  
17 accounts). This supports DRA’s assertion that CalPeco’s non-CARE residential  
18 customer forecast is essentially without foundation and based on an arbitrary  
19 number. (On May 31, DRA verbally requested CalPeco for an explanation of how  
20 CalPeco derived the number 38,104 used to adjust residential customer counts prior  
21 to 2011, but has not received a response.)

22           The arbitrariness of CalPeco’s procedure for estimating residential accounts  
23 is further illustrated by Table 3-2, a table of historical data that CalPeco used to  
24 develop its forecasts. The first column in the table is the sum of monthly residential  
25 non-CARE customer accounts. CalPeco arbitrarily replaced all the numbers in the  
26 first column by 457,248, i.e., all monthly non-CARE residential customer accounts  
27 prior to 2011 were arbitrarily set equal to 38,104.

28           DRA adjusted CalPeco’s operating revenues at present rates downwards by  
29 \$248,919 to reflect the lower sum of monthly residential accounts DRA estimated in  
30 Table 3-1. However the rate change associated with the PTAM Attrition Factor for

2012 approved in the Sierra Pacific Advice letter 364-E<sup>1</sup> resulted in a proposed operating revenue increase of \$278,821 which is reflected in Table 3-1.

**Table 3-2**  
**Historical California Electric MWhs, Customers, and Use per Customer**

Year	Residential Customer Yearly Sum	Residential Average Customer Use	Residential Annual MWh
2004	461,514	6,556	259,916
2005	463,153	6,569	263,432
2006	462,443	6,603	265,557
2007	462,337	6,418	260,845
2008	460,397	6,359	260,833
2009	458,780	6,420	265,179
2010	405,413	6,777	249,874

CalPeco used a similar arbitrary procedure to estimate customer accounts for the commercial and industrial classes. However similar adjustments for other classes were not incorporated into DRA's testimony as they did not achieve any materially different results. Adjustments to CalPeco's electric sales and energy use per customer estimates also did not achieve any materially different results.

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<sup>1</sup> Decision 12-04-026, April 19, 2012.

## B. Depreciation

CalPeco proposes to use Sierra Pacific's depreciation rates that were approved by the Nevada PUC in its December 23, 2010 final order. Table 3-3 compares CalPeco's proposed depreciation rates in this case with the depreciation rates used by Sierra Pacific in its 2009 General Rate Case. These rates were approved in 2006 by the Nevada PUC. DRA does not object to CalPeco's proposed depreciation rates.

**Table 3-3**  
**Comparison of Proposed and Past Depreciation Rates**

FERC	FERC	2009 Sierra	2011 CalPeco
Account Number	Account Description	Depreciation Rate	Depreciation Rate
303	Software	10.00	12.50
341	Structures & Improvements	2.20	3.47
342	Fuel Holders, Producers & Accessories	2.15	3.47
344	Generators	1.18	3.51
346	Miscellaneous Power Plant Equipment	5.35	3.35
360	Land Rights	1.62	1.34
361	Structures & Improvements	1.82	1.87
362	Station Equipment	1.74	1.65
364	Poles, Towers & Fixtures	1.37	1.73
365	Overhead Conductors	3.85	2.72
366	Underground Conduit	1.70	1.52
367	Underground Conductors	2.31	2.15
368	Line Transformers	1.87	1.65
369	Services	2.66	1.37
370	Meters	2.56	2.99
371	Installations on Customer Premises	2.50	1.01
373	Street Lighting	2.05	3.03
389.2	Land Rights	1.62	1.80
390	Structures & Improvements	2.54	1.78
391.1	Office Furniture & Equipment	5.00	5.00
392	Transportation Equipment	13.01	4.40
393	Store Equipment	5.00	5.00
394	Tools, Shop & Garage Equipment	4.00	4.00
396	Power-Operated Equipment	13.01	6.76
397	Communication Equipment	6.67	6.67

1    **IV.    QUALIFICATIONS OF WITNESS**

2    Q.1    Please state your name and address.

3    A.1    My name is Marek Kanter. My business address is 505 Van Ness Avenue,  
4           San Francisco, California.

5    Q.2    By whom are you employed and in what capacity?

6    A.2    I am employed by the California Public Utilities Commission as a Public  
7           Utilities Regulatory Analyst III in the Division of Ratepayer Advocates Energy  
8           Cost of Service and Natural Gas Branch.

9    Q.3    Briefly describe your educational background and work experience.

10   A.3    I received a Bachelor of Sciences Degree from Rice University in 1964 (Phi  
11           Beta Kappa). I received a Doctor of Philosophy degree in Mathematics from  
12           the University of California at Berkeley in 1969. I have taught mathematics  
13           and statistics at the university level from 1970 to 1985, holding the rank of full  
14           professor since 1976. I have published research papers in mathematics,  
15           probability, statistics and physics. My last academic position was at the  
16           University of Toronto, at the level of full professor with tenure. I have worked  
17           as a statistical analyst at Pacific Gas and Electric Company in San Francisco,  
18           from 1981 to 2000, overlapping with my position at the University of Toronto.

19           I joined the Commission in 2001. In that position I analyzed Pacific Bell  
20           operations support systems (OSS) data and reviewed Pacific Bell and  
21           Verizon submissions re OSS performance. I performed the sample design,  
22           implementation and analysis for the Pacific Bell and Verizon quality of service  
23           2002 survey reports and for the Pacific Bell and Verizon 2003 local  
24           competition survey reports. I participated in the Phase 2B New Regulatory  
25           Framework proceedings for Pacific Bell and Verizon as the witness for the  
26           quality of service survey results. I have prepared testimony in General Rate  
27           Case proceedings for San Diego Gas and Electric Company (SDG&E),  
28           Southern California Edison Company, Southern California Water Company,  
29           Apple Valley Ranchos Water Company, and Sierra Pacific Electric Company.  
30           I have participated in Pacific Gas and Electric Company's (PG&E) 2004  
31           Biennial Cost Allocation Proceeding as the gas throughput witness and in  
32           PG&E's 2007 General Rate Case as the sales, customers, and other  
33           operating revenues witness.

34   Q.4    What is your area of responsibility in this proceeding?

35   A.4    I am responsible for Exhibit DRA-3, which addresses sales, customers,  
36           revenues, and depreciation for CalPeco.

37   Q.5.    Does that complete your prepared testimony?

38   A.5    Yes, it does.